

BACKGROUND CHECK PROCESS REVIEW

LYFT, INC.

**Pennsylvania Public Utility Commission
Bureau of Audits
Issued August 2020**

Docket No. D-2019-3012209



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I. Introduction

All public utilities within the Commonwealth of Pennsylvania, including transportation network companies (TNCs), are subject to the Pennsylvania Public Utility Commission's (PUC or Commission) general administrative power and authority to supervise and regulate under 66 Pa.C.S. § 501(b). Specifically, the Commission can investigate and examine the condition and management of any public utility under 66 Pa.C.S. § 331(a). Furthermore, Act 164 of 2016 (Act of Nov. 4, 2016, P.L. 1222, No. 164) established Chapter 26 of the Public Utility Code which clarified the Commission's role in regulating transportation network companies and outlined the regulatory framework for TNCs. These laws apply to all TNC operations within Pennsylvania except for cities of the first class (i.e., Philadelphia) where, pursuant to 66 Pa.C.S. § 2603(a), the City of Philadelphia regulates TNCs.

In May 2018, the PUC Commissioners directed the Bureau of Audits (Audits) to conduct a performance review of Lyft, Inc.'s (Lyft) driver background check process within Pennsylvania. This report summarizes the Bureau's work and outlines its conclusions. The findings presented in the report identify areas where weaknesses or deficiencies exist, or additional improvements are warranted. In all cases, recommendations are offered to improve, correct, or eliminate these conditions.

A. Objectives and Scope

66 Pa.C.S. § 2604.2 authorizes the Commission to audit TNCs within its jurisdiction for compliance with applicable laws and regulations. Lyft is a technology company that owns and operates the Lyft smartphone application (Lyft app). Lyft is licensed as a TNC in Pennsylvania and subject to the Commission's jurisdiction. Lyft offers several types of service to Pennsylvanians including Lyft XL, Lyft Premier, Lyft Lux, etc. Lyft, Inc. is the parent of a number of companies; however, this report is solely focused on its regulated TNC operations within Pennsylvania.

In March 2019, Audits released a report on the background check process review of Rasier-PA, LLC, a wholly-owned subsidiary of Uber Technologies, Inc. In September 2019, Audits initiated a similar background check process review of Lyft, another TNC operating in Pennsylvania. The review's objectives were:

- To determine compliance with all applicable provisions within Chapter 26 of 66 Pa.C.S. and Chapter 29 of 52 Pa. Code pertaining to the company's driver requirements and background check process.
- To identify opportunities for process improvement and develop recommendations to address those opportunities.
- To provide the Commission, Lyft, and the public an assessment of the company's driver background check process and other related matters.

The scope of the review was limited to these objectives and related matters, and further refined as explained below within the Approach and Timeline.

B. Approach and Timeline

The background check process review was performed by the audit staff of the PUC's Bureau of Audits to assess the effectiveness of Lyft's driver onboarding, background check, and driver quality assurance programs. This qualitative approach focused on the following:

- Review of the general organizational structure and oversight of relevant Lyft programs;
- Review of the driver sign-up process including required information, timelines, evaluations, etc.;
- Review of all background check policies, procedures, and processes¹;
- Review any processes or methods used to evaluate or reevaluate drivers' performance or qualifications relative to regulatory, internal, or rider quality standards (e.g., star rating system);
- Review of the complaint process and its connection to user safety;
- Identify any methods used to ensure compliance with Pennsylvania laws and regulations; and,
- Identify applicable future changes or initiatives.

Fieldwork began on October 17, 2019 and continued intermittently through May 19, 2020. The principal components of the fact gathering process included:

- Interviews with Lyft personnel.
- Analysis of records, documents, and reports of an operational nature. This analysis focused primarily on the years 2016-2019.
- Test trips using the app to gain familiarity with its functionality.
- Demonstrations of the functionality of the Lyft App for drivers and customers.

¹ The review of the background check process, policies, and procedures focused on the criminal and motor vehicle background search aspects as well as background check adjudication.

On March 6, 2020, the Governor of Pennsylvania, Tom Wolf, declared a disaster emergency due to the COVID-19 pandemic. This and other state government actions ordered all, but essential businesses and their operations, closed for the safety of the general public. Although fixed utility operations such as water treatment were considered essential, most of the back-office functions such as corporate management, accounting and government relations were deemed nonessential. Most Pennsylvania utilities closed their business offices and allowed their employees to work remotely. The Pennsylvania Public Utility Commission also closed the main office and allowed employees, including those of the Audit Bureau, to perform their functions remotely. All nonessential travel and in-person meetings were prohibited.

As such, the COVID-19 crisis affected the approach and timeline of the audit, particularly towards the end of fieldwork. Some interviews and data request responses were delayed or modified due to the effects of COVID-19. In all cases, the audit staff worked with Lyft to acquire information needed to issue the findings and recommendations contained within this report. Although some aspects of the audit program were modified and alternative procedures employed, the impact to the conclusions presented within the report are considered minimal. We believe that our procedures sufficiently mitigate the audit risk associated with altering our standard practices. However, conclusions presented within this report may change if additional information is made available. Furthermore, it is important to note that although COVID-19 affected the company's operations; this report does not, nor was it intended to reflect any modified operations.

II. Background

Pursuant to 66 Pa.C.S. § 2604.1(b)(5), prior to permitting a person to act as a transportation network company driver on its digital network, a TNC shall do all of the following:

- i. Conduct or have a third party conduct a local and national criminal background check for each driver applicant. The background check shall include a multistate or multijurisdictional criminal records locator or other similar commercial nationwide database with primary source search validation and a review of the United States Department of Justice National Sex Offender Public website.
- ii. Obtain and review a driving history research report for the person from the Department of Transportation and other relevant sources.
- iii. One year after engaging a transportation network company driver and every second year thereafter, conduct the criminal background and driving history checks required by this subsection and verify that a transportation network company driver continues to be eligible to be a driver.

Originally founded in June 2012, Lyft first received authority to operate in Pennsylvania in July 2014 with the approval of its application for Emergency Temporary Authority at docket number A-2014-2415047. Act 164² subsequently added Chapter 26 to the Public Utility Code (establishing regulations for TNCs) and on February 9, 2017, at docket number A-2017-2583947, the Commission approved Lyft's application for a license to operate as a TNC in Pennsylvania.

Lyft requires prospective driver-partners³ (drivers) to submit personal information (i.e., full name, phone number, address, e-mail address, driver's license information, and Social Security number), vehicle information (insurance, registration, and inspection information), a profile picture, and consent to the background screening (i.e., criminal and driver motor vehicle records). Images of the prospective individual's driver's license (front and back), proof of insurance, registration, and inspection are also required. Once received, the documentation is reviewed by Lyft's document approval agents for validity, searching for signs of fraud or tampering and ensuring consistency in the documentation submitted. Once the documentation is approved by the approval team, the individual's full name, date of birth, driver's license information are securely sent to Lyft's third-party motor vehicle record (MVR) check provider, Safety Holdings, Inc. dba SambaSafety⁴ (Samba) which queries state Department of Motor Vehicles (DMV) databases.

Samba searches available records using the individual's historical driver's license information to identify the status of the license, as well as any restrictions, violations, and

² November 4, 2016

³ Individuals who use the Lyft driver app in Pennsylvania consent to a "Terms of Service" Agreement with Lyft to obtain access to the app.

⁴ <https://sambasafety.com/>

accidents in their driving history. Samba's MVR check in Pennsylvania generally returns up to seven years of driving records. All violations are mapped to the American Association of Motor Vehicle Administrators (AAMVA) Codes Dictionary (ACD) to allow for comparison of state specific violation codes. MVR results are evaluated by Samba against a set of filters prescribed by Lyft and ACD codes that reflect applicable jurisdictional disqualification requirements. A search identifying one or more disqualifying violations on the individual's record will be flagged during the MVR check process. Once the MVR check is complete, Lyft receives a full MVR report which is then evaluated against the disqualifying violations listed in P.A. C.S. 66 § 2604.1(b)(5)(i)(A), Lyft disqualifies any driver who, at the time of application: has been convicted in the past seven years of driving under the influence of drugs or alcohol or other disqualifying drug-related offenses. The prospective driver is given an opportunity to dispute the accuracy of the MVR search with Samba. If the individual cannot resolve the issue with Samba, the individual is disqualified based on the MVR results and cannot continue the application process.

Upon successful compliance with the MVR check, Lyft initiates a criminal background check by submitting the applicant's name, date of birth, zip code, and Social Security number through a secure electronic portal to its background check provider, Checkr⁵, Inc. (Checkr). Checkr is accredited by the Background Screening Credentialing Council⁶ as recognized by the National Association of Professional Background Screeners. As a commercial background check provider, Checkr is regulated by federal law under the Fair Credit Reporting Act (FCRA).

Checkr begins the background check process with a Social Security number Trace run through commercially available databases to locate addresses where a driver may have lived. The Social Security number trace searches credit bureaus, commercial databases, and other public records. This search produces a history of past and present addresses and names, (including known aliases) associated with the driver's unique identifiers. Checkr uses this data to determine which counties to search for the most accurate criminal history information. The search also includes a check against the Social Security Administration's Death Master File⁷, comprised of Social Security numbers belonging to deceased individuals. Inconsistencies in the information returned from the Social Security number search will automatically stop the background check and create an exception report. The prospective driver must resolve these discrepancies with Checkr before the individual can move forward in the sign-up process.

Once the previous steps are successfully completed, Checkr conducts a nationwide criminal search on the driver, searching over 1,800 commercial databases, consisting of criminal records compiled from a variety of state, county and other proprietary sources, such as state Department of Corrections and state warrants

⁵ <https://checkr.com/>

⁶ Accreditation requires the provider's operations to be evaluated against a set of professional standards by an independent auditor. The audit includes a review of the following areas: data information and security, legal and compliance, client education, researcher and data standards, verification service standards, general business practices.

⁷ The Death Master File (DMF) is a computer database file made available by the United States Social Security Administration at <https://dmf.ntis.gov/>.

databases, as well as federal law enforcement's "most wanted" lists. Each background check also includes a "Global Watchlist Search," which searches various U.S. and international government watch lists, including the FBI and Interpol's Most Wanted Lists, Office of Foreign Asset Control Sanction Lists, Denied Persons List, Department of State Sanctions List, and Specially Designated Nationals Lists. The criminal searches also include the United Department of Justice Sex Offender Registry and a Federal Criminal Records database. The Sex Offender Registry Search searches sex offender registries from all 50 states, including the District of Columbia and tribal territories. The Federal Criminal Records search identifies criminal records from the 94 U.S. federal district courts, which covers all federal jurisdictions across the U.S. including its territories.

Based on the information obtained during the Social Security number trace and the multi-jurisdictional database search, Checkr will search criminal records of county courthouses in locations where the driver-applicant established residence or worked in the past seven years. This targeted search of criminal records aims to identify felony, misdemeanor, and less than misdemeanor records, including the most recent case information such as the final disposition or the current status of pending cases. The background check provider uses a national network of researchers who will physically meet with county court clerks to review files on-site when information is not available online, although in many jurisdictions, county records are available electronically.

Once all searches are complete, Checkr provides a report on each prospective driver to Lyft. The report summarizes the individual's information and results from each search (i.e., Social Security number trace, sex offender registry, global watchlist, national, federal, and county criminal searches). Checkr evaluates the driver's background search report against pass/fail criteria established in Pennsylvania to ensure compliance with requirements established in 66 Pa.C.S. § 2604.1 and Lyft's minimum internal standards. The background check process may take 48 hours to two weeks from the time a prospective driver begins the process until he or she can receive ride requests. A variety of factors such as the availability of records from county courthouses, number of county courthouses that need to be searched, inability to score applicant based on information provided, etc. can influence the length of the background check but has no bearing on the quality of the check.

Once a prospective driver passes the required background check, and all required documentation has been collected, the new driver's account is activated. At this point, the driver can log-in to the Lyft App and immediately receive requests for prearranged TNC trips.

After a driver has been approved, Lyft continues to monitor their performance. If a rider or driver experiences any issues during a prearranged trip or with the Lyft App, inquiries or complaints can be sent to Lyft in a number of ways. Users can submit inquiries or complaints through the in-app 'Help' menu, online at <http://help.Lyft.com>, or, in the event of an urgent matter, via the Critical Response Line. In addition to the electronic complaint process, drivers may get additional assistance in-person at a Lyft Hub.

To help strengthen driver and rider safety during trips, Lyft has in-app safety tools. The safety tools include three important features: Safety at Lyft, Ride details, and Emergency Assistance. The “Safety at Lyft” feature helps drivers and riders learn about Lyft’s safety standards and includes links to information about safety features. The “Ride details” button allows drivers and riders to share the location of their Lyft ride with friends and family in real time. Further, in case of an emergency, Lyft offers the “Emergency Assistance” button which allows drivers and riders to share their ride information with 911 emergency services. When the “Emergency Assistance” Button is selected the App displays the user’s real-time location on the map and a physical address, so the rider or driver can share his or her exact location with the dispatcher.

General support inquiries and non-safety related complaints such as “unpleasant smell” are handled by the Customer Cares team. Safety complaints and/or safety-related support requests are addressed by Lyft’s Trust and Safety team. Trust and Safety is organized into tiers, each of which address different levels of complaints. The Tier 1 team handles the intake of complaints while Tier 2 and Tier 3 agents handle more severe safety related complaints. Tier 2 agents primarily handle misconduct allegations whereas the Tier 3 team handles the more egregious allegations such as carjacking, physical assault, etc. The Tier 3 team will review and investigate allegations via internal records and interviews with the involved parties. Tier 3 agents make initial contact on safety allegations to collect basic information and conduct a substantive, evidentiary review. Initial contact may also be made by the Tier 1 team during intake, and then escalated to Tier 3 based on the severity of the allegations. Based on the outcome of the investigation, the incident may result in permanent deactivation of the user’s account. For more information on Lyft’s complaint process, see Finding and Conclusion No. 5.

The number of drivers and rides within Pennsylvania is considered proprietary and confidential by Lyft. The Commission estimated that there were as many as 50,000 TNC drivers in Pennsylvania in 2018, with Lyft using a subset of those drivers.⁸ Furthermore, per Rasier-PA’s testimony⁹, it is likely that Lyft is also providing millions of rides each year within Pennsylvania.

⁸ Testimony by Chairman Gladys Brown before the Commonwealth of Pennsylvania House of Representatives – Consumer Affairs Committee at its Public Hearing on June 7, 2018.

⁹ Rasier-PA statistics within Pennsylvania are an excerpt from testimony by Rasier-PA before the Commonwealth of Pennsylvania House of Representatives – Consumer Affairs Committee at its Public Hearing on June 7, 2018.

III. Discussion of Findings and Recommendations

Our examination of the Background Check and Safety function included a review of the driver onboarding process; driver background check practices; driver and rider complaint handling practices; contracts and service agreements established with Lyft's background check provider; performance metrics and safety statistics; rider and driver mobile in-app safety features; upcoming safety initiatives; etc. Based on our review, Lyft should initiate or devote additional efforts to improving its Driver Background Check Process and Safety functions by addressing the following:

1. Lyft did not provide documented policies and procedures related to background checks and its onboarding process.

In response to requests for documented policies and procedures, Lyft provided brief narratives and high-level overviews of its background check and driver onboarding processes. In addition to narratives, Lyft provided user-facing documents from the driver onboarding process such as Lyft's terms of service, privacy policy, wheelchair policy, service animal policy, etc. In addition, the company provided a narrative of the five steps used in its complaint investigation process and a sample workflow for handling a safety (i.e., unauthorized driver) and a non-safety complaint (i.e., unpleasant experience). The company indicated that most of its policies and procedures guiding the company's onboarding and background check actions are embedded within their software systems (i.e., the logic and flow of system use). Although the company provided contracts with each of its background check screeners detailing the standards to which the screeners must adhere, it did not provide any policies or procedures on the functions of its Compliance team.

Many onboarding tasks are automatically performed using system logic. Nonetheless manual intervention is required for several processes and/or situations that are outside the realm of system logic (i.e., require human intervention). All processes should be documented, and human intervention can benefit from formalized policies and procedures to ensure consistency. The auditors recognize that there is no way to capture the multitude and complexity of all situations faced by Lyft employees, but contend the company's objectives and guidance should be highlighted and defined in documentation.

Based upon these factors, the auditors were forced to conclude that no documented policies and procedures exist beyond those highlighted above. Although the audit staff applauds the use of IT systems and system logic to guide company operations, relying solely on this logic to govern is problematic for multiple reasons. In particular, transparency and control shift from company management to embedded and programmed system logic. This structure also makes it harder to spot inconsistencies and trends when changes occur and can stifle employee comprehension of acceptable

practice (i.e., knowing that something cannot occur is not as robust as understanding why it is prohibited).

Procedures should include detailed instructions to achieve uniformity in performance of its critical functions, such as onboarding and complaint handling. Operating policies should convey the rules enacted by company leadership to govern the operations of the company and encompass the company's direction, goals, and/or objectives. Documented policies and procedures not only benefit the company and its employees, it also aids shareholders and regulators.

2. The background check process and the continuous criminal monitoring functions for Pennsylvania drivers could be enhanced.

Lyft utilizes third parties to perform criminal background checks and driving history checks for its driver applicants. In accordance with 66 Pa.C.S. § 2604.1, a transportation network company (TNC) is required to conduct a local and national criminal background check and a driving history check for each driving applicant at initial engagement, one year after hiring, and every second year thereafter. In April 2019, Lyft exceeded these requirements by transitioning to biannual criminal background checks. Additionally, the company implemented continuous criminal monitoring in May 2019 and continuous driving record monitoring in December 2019 through a second vendor, First Advantage. The continuous criminal monitoring function provides daily monitoring of its active drivers and immediate notification of any disqualifying criminal convictions. The continuous criminal monitoring function is typically an "alert" system whereby First Advantage notifies Lyft as soon as a qualifying issue is discovered.

Although continuous monitoring has been implemented in Pennsylvania, First Advantage is unable to obtain arrest information on its residents because Pennsylvania does not allow such information to be shared for commercial reasons. Pennsylvania and seven other states do not feed arrest records into the court monitoring system. Due to the complications associated with state privacy laws, First Advantage leverages publicly available data sources that contain incarceration information. First Advantage monitors the live and historical incarceration feeds of only 16 Pennsylvania counties¹⁰ because they are both publicly available and meet the required quality threshold needed. Even though PA drivers are enrolled in the continuous monitoring service, notification of arrests would only be received from states and/or Pennsylvania counties where First Advantage can operate. As a result, due to Pennsylvania restrictions, Lyft's continuous monitoring feature is not fully functional in Pennsylvania. Therefore, most Pennsylvania drivers are not screened by continuous monitoring and thus traditional background checks are relied on, occurring every six months.

The continuous monitoring function also does not include a continuous sex offender registry search. Continuous monitoring could capture any conviction, including

¹⁰ First Advantage monitors incarceration feeds from the following PA counties (real-time monitoring): Allegheny, Beaver, Crawford, Cumberland, Dauphin, Erie, Greene, Lackawanna, Lancaster, Lycoming, Mercer, Monroe, Montgomery, Northampton, Washington, and Westmoreland.

those requiring registry as a sex offender. First Advantage searches the national and state sex offender registry through its National Criminal Database when drivers initially enroll in the continuous monitoring service and upon any subsequent re-enrollments but not on a continuous basis. This creates a potential gap in states like Pennsylvania where continuous monitoring is not functioning as intended, primarily due to limitations in Pennsylvania law. Although the gap may only be six months between the biannual background checks, the serious nature of a sexual offense warrants additional oversight.

The company launched an additional safety and security focused monitoring feature known as “enhanced identity verification” in April 2019. This feature uses face verification algorithms and fraud detection technology to match a selfie¹¹ photo with the photo used by the driver applicant during the onboarding process. Lyft enacted this process to strengthen the application and fraud detection processes by identifying imposters or fraudulent activities. However, this feature is primarily used when there is suspicion of fraud or questions about a driver’s identify. For example, a complaint indicating the driver did not match their profile photo could generate a requirement for the driver to upload a new picture. The software could then determine if the new selfie matched the original application profile. Notably, this tool was not being used as a random real-time identification check feature at the conclusion of fieldwork. However, this type of tool used randomly does have the ability to deter fraudulent behavior and should be explored as a random spot check mechanism.

The primary focus of Lyft’s onboarding process is to ensure a potential driver is capable and qualified to drive on the Lyft platform. However, risk of fraud or misrepresentation will always be part of an onboarding process. As such, fingerprint-based background checks (or biometric check) of prospective drivers is often debated as an improvement to the onboarding process. Currently, Lyft does not use fingerprinting, nor did it have any plans to implement such a system. The auditors recognize this debate continues with different entities such as state governments, elected officials, etc. highlighting disadvantages¹² and advantages¹³. As any change within Pennsylvania would likely require action by the legislature, the audit staff will defer to this prevailing debate to determine if fingerprinting should be implemented.

Although Lyft exceeds the requirements of 66 Pa.C.S. § 2604.1 and has taken additional continuous monitoring measures, additional work may be required to mitigate risks within the background check process. This could include working towards improving Pennsylvania’s monitoring efforts which may necessitate a partnership with government and commercial entities when sharing data. In other instances, legislative fixes, funding and/or education may be required. The auditors acknowledge that there is no “magic bullet” to address the challenges that the TNC industry faces in efforts to keep its drivers and riders safe. Further, the auditors recognize that certain aspects of continuous criminal monitoring are outside the control of Lyft and not easily reconcilable. Therefore,

¹¹ In this context, a selfie would be an image taken by oneself with a digital camera or smartphone.

¹² Disadvantages of fingerprint-based background checks include inconsistent/inaccurate incarceration information from counties, large error probabilities due to human intervention, fingerprint readability, unlimited lookback period, etc.

¹³ Advantages of fingerprint-based background checks include improved accuracy due to Livescan technology, unique identification characteristics of fingerprinting hypothetically leading to more accurate results when used in combination with other personal identifiable information, making it more difficult to fraudulently apply as someone else, etc.

we offer that Lyft should work with all relevant stakeholders to arrive at an acceptable solution that works for the company and the industry.

3. Safety related driver terminations/deactivations are not shared by companies within the vehicle-for-hire industry.

As indicated in Finding and Conclusion No. 2, Lyft uses third parties to perform background checks, driving history checks, and continuous criminal and driver history monitoring of all drivers. Although all drivers are enrolled in the continuous monitoring service, Pennsylvania is not covered by these services due to state restrictions on the use of arrest data on residents for commercial purposes. Pennsylvania law restricts courts from entering incarceration information into the system. Unilaterally, Lyft began performing semi-annual background checks of all its drivers in April 2019.

The majority of rideshare drivers and riders in Pennsylvania and across the country use multiple TNCs (i.e., Lyft, Uber, Ola, limos, taxi companies, etc.) However, these companies do not currently share driver or rider deactivations. As a result, safety issues which result in deactivation or termination on one platform may not be reported elsewhere. Therefore, these deactivations would not appear in an annual background check or a continuous monitoring search.

Even when a serious safety incident occurs that is reported to authorities on a different platform, Lyft may not know about it for an extended period of time in Pennsylvania, potentially six months or more depending on timing. The company primarily learns of an incident on another platform if it were a disqualifying offense screened for by Checkr or First Advantage, or if reported by the driver as required by Pa.C.S. §2605(b)(6). However, it is possible that Lyft would learn of a disqualifying offense through the media, law enforcement, or other such method. Moreover, riders are not subject to the same screening process as drivers. They can create an account by providing only basic information such as e-mail address, phone number, first and last names and payment information. Riders are not screened and could possess a history of safety complaints or incidents on other platforms that Lyft would have no way of detecting, potentially putting drivers at risk. Lyft does not have a policy to report safety-related incidents to law enforcement, instead deferring to the complainant's wishes. Many complaints do not meet legal reporting requirements nor merit a report to law enforcement officials. However, this means many complaints, some of which leading to deactivation, cannot be found anywhere else and are essentially lost to the company and regulators. Therefore, if an individual were deactivated from a TNC for a serious safety related incident, they could continue using a different platform indefinitely. While this condition is not caused by Lyft, it is a potential deficiency within the current regulatory framework.

Safety and security are the cornerstones of the vehicle-for-hire industry and can only be effective if the information on bad actors can be shared between the companies that operate in this environment. The auditors recognize that sharing driver information with other vehicle-for-hire companies can cause several inherent issues in due process,

privacy (i.e., protecting driver personally identifiable information or PII), and could have other serious regulatory and/or legal implications. But the auditors argue that by sharing termination and/or deactivation of drivers due to serious safety concerns with other vehicle-for-hire industry participants, the company would help make Pennsylvania safer for drivers and riders and help strengthen the community in which these companies operate and the TNC industry as a whole. A database that has information on drivers and riders that commit these acts can be shared between ride-hails services and could serve as a reference check thus supplementing the companies' background check processes. Still, legal hurdles surrounding this concept will need broad support from various parties including the industry, regulators, and lawmakers.

4. Lyft did not provide PA specific performance metrics or goals to measure its operational performance.

Lyft's Northeast region consists of three states: Pennsylvania, New Jersey, and Delaware. Because operations are managed at a regional level, Lyft maintains almost all operating and safety data by region. Meanwhile, Pennsylvania specific operations are primarily responsible for driver services, customer support for drivers, and market operations (i.e., working with regulators, etc.). The Pennsylvania operations group monitors numerous driver statistics like number of active drivers, number of rides provided, etc.

As previously discussed, the Trust and Safety group is responsible for receiving and handling all safety-related complaints and the corresponding investigation process. The Customer Cares team handles non-safety related outreach. However, in response to multiple audit requests for safety-related driver statistics monitored by the company, the only data provided was the percentage of complaints classified as safety-related. During field work, the Trust and Safety team indicated that they monitor complaints by category, investigation classifications, user deactivation statistics, and quality score (i.e., its adherence to internal workflows although no data was provided on this metric). Based upon further discussion, the company indicated that the Trust and Safety team's key performance indicators were quality score and responsiveness and customers perception of a resolution. Although Lyft provided PA statistics in certain categories such as percent of complaints classified as safety-related, the auditors were not provided any other goals or performance metrics despite multiple requests.

Lyft indicated that certain metrics (like system availability, vendor management, etc.) are utilized to monitor the performance of its third-party contractors in the background check process and are detailed in the service level agreements (SLAs) with these entities. These SLA metrics are focused on traditional system monitoring like system availability and vendor management. Lyft indicated that it meets weekly with background screening vendors to address performance and service issues. Other than those specified within the SLAs, Lyft does not maintain metrics about its Compliance team which includes the background check process.

Performance metrics are typically established to monitor operational performance and provide management with key statistics that can be evaluated to make informed decisions. Operational performance metrics could include driver ratings, new rider signups, cost of acquisition of drivers/riders, etc. Similarly, Lyft could establish several safety and background check related metrics such as deactivations by cause, percentage of applicants that failed background/driving history checks, etc. While management indicated metrics were used, as discussed earlier, very little data was provided to substantiate this claim. Therefore, audit staff had to conclude that such information was not readily available, or Lyft was unwilling to provide such information in this setting. Without review of these metrics, audit staff has no way to determine Lyft's performance or if company's decisions are adequately supported. Therefore, Lyft should establish goals for each of these metrics to set expectations and provide improved service to its drivers and riders. Furthermore, the regulatory community should identify key metrics for TNC's that should be reported to the Commission on an annual basis.

5. Lyft is unable to reach a conclusion in many complaint investigations due to incomplete or insufficient information provided and/or acquired.

Drivers and riders can file complaints using various channels. Complaints can be filed using the "help" menu in the Lyft app, online using the Lyft website at <https://help.lyft.com>, or through the "Click to call" button in the app which routes users to the Critical Response Line. Additionally, drivers can also file complaints or request assistance at the closest Lyft Hub.

Lyft's Trust and Safety team is responsible for receiving and handling safety-related complaints. Trust and Safety's Tier 1 team is responsible for the intake of safety-related user outreach. Based on the nature and criticality of the complaint, the call is routed to the appropriate tier for review and investigation. The Customer Cares team handles minor issues (e.g., dissatisfaction with state of vehicle, odor in vehicle, etc.). The Tier 2 team handles misconduct allegations and the Tier 3 team handles the more serious safety complaints (e.g., physical or sexual assault, violence, etc.).

Trust and Safety's primary mode of communication with users is the Lyft app although Lyft also communicates with users via phone and e-mail. The Trust and Safety team will temporarily suspend user accounts (rider or driver) for serious safety allegations, pending the outcome of the investigation. Any serious safety allegations that are confirmed will lead to a permanent deactivation from the Lyft platform. Meanwhile, less serious allegations may not lead to a suspension while the complaint is investigated and could lead to other disciplinary action than termination depending upon the severity of the complaint. For a complaint that is deemed invalid, or where there is insufficient evidence to support the allegation, it would not be reflected against the users' account as a disqualifying offense but would be noted accordingly within that user's account. These prior noted offenses would then be considered in determining the appropriate response, including deactivation, with each subsequent offense.

A vast majority of complaint allegations are considered to contain insufficient or unsubstantiated information. Lyft could not provide data to substantiate this claim, management indicated that most complaints received do not contain sufficient evidence to reach a definitive conclusion. Further, unless law enforcement is involved, the company is dependent on information voluntarily provided by parties as part of an investigation. A single serious safety complaint or the recurring nature of serious safety allegations, even if unsubstantiated, could be considered enough evidence to deactivate the user. Users can also be deactivated due to their ratings falling below the minimum rating threshold, as this may be reflective of repeated poor performance while using the Lyft platform.

In the TNC environment, complaints may occur that have no definitive resolution simply due to human preferences and differences, particularly for non-safety related complaints. However, as the severity of the complaint increases, so does the need for a definitive resolution. There are technological solutions to capture additional data that could be used in determining the validity of a complaint. For instance, Lyft could leverage tools such as dashcams, audio/video recording on smartphones, global positioning systems, phone accelerometer, etc. to reduce the level of incomplete or insufficient information in complaint investigations. Purportedly, Lyft drivers may utilize in-car dash cams in states where audio and video recordings are permissible by that state. Although these solutions may not be viable everywhere or may require additional disclosures¹⁴ in certain jurisdictions, they offer the ability to capture conclusive evidence when serious complaints are filed. For instance, if a driver/rider felt uncomfortable they could use the safety features within the app to immediately collect additional information. Nonetheless, the auditors propose that Lyft should conduct a pilot study and business case for use in Pennsylvania to determine the cost versus benefit of implementing technologies that capture additional information such as dashcams, etc. while noting applicable Pennsylvania laws and regulations.

6. Lyft's mobile app features could be improved to enhance safety.

Tapping the "Safety tools" button on the main screen of the Lyft app brings up the safety features available at the time of this review and illustrated in Exhibit III-2: learn about safety at Lyft, share ride details, and get emergency help. By clicking on the "learn about safety at Lyft" button, users can access links to information about important safety features in the app. Users can also share their location in real time with specific contacts in their phone by tapping on the "share ride details" button. The Lyft app sends a link to the selected contacts that opens an internet browser to show the ride on a map. In case of an emergency, Lyft offers an easily accessible "get emergency help" feature which serves multiple safety functions. An ADT¹⁵-powered feature in the Lyft app will allow users to signal to ADT if they need assistance.¹⁶ Users are then connected to ADT either through a phone call or text message and ADT can then share the users' current location

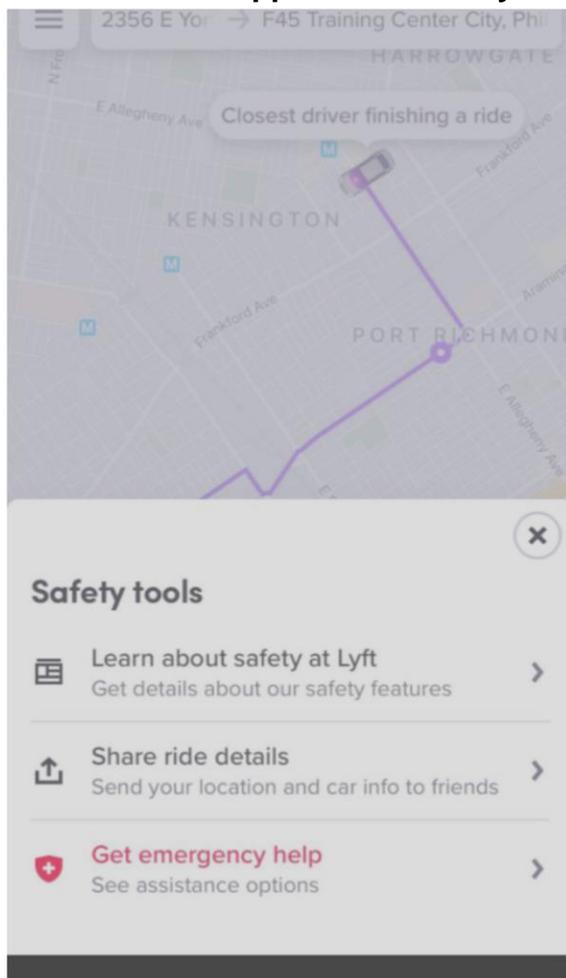
¹⁴ Pennsylvania does have laws surrounding use of dash cams and audio recordings are governed by wiretapping laws.

¹⁵ADT is a security and automation provider serving residential and business customers

¹⁶ Lyft partnered with ADT in October 2019 to implement this new feature designed to enhance the safety of the Lyft platform.

and car information with authorities as needed. Users also have the option to call 911 directly.

Exhibit III-2
Lyft, Inc.
Driver and Rider App View of Safety Tools



Note: These were the safety features available during field work.
Source: Data Request BCP-31

Lyft implemented several safety features to its app in 2019 which have added significant value to driver/rider safety such as “match the ride”, in-app 911, two-way ratings, anti-fraud measures, etc. Many of these safety features have improved the safety and security of drivers and riders by enhancing safety functions such as in-app license plate visibility, contacting 911 silently, etc. Lyft is also in the process of implementing new safety features, like Smart Trip Check-In and allowing riders to silently alert ADT. Although Lyft has made noteworthy improvements to its app features in the last couple of years and is generally in-line with other TNCs, the auditors believe that additional improvements can be made.

One of Lyft's several safety features to keep riders safe is "match the ride", where Lyft asks passengers to verify the license plate, make and model of the vehicle, driver's photo, and name to the information provided in the app. Although Lyft advises all riders to verify the driver and vehicle information, nothing prevents the rider from ignoring the feature and accepting the ride without verifying the match. Furthermore, this "match the ride" feature does not provide any assurances to the driver that they have the right passenger. In fact, riders are not required to upload a picture so the only assurances a driver may have that they have the right person is the rider's confirmation that they wanted a Lyft ride. Instead, a pin verification or other positive verification method involving both riders and drivers should be required for every ride. For example, Lyft could require both rider and driver to enter a four-digit pin, match an emoji, color, or some other form of verification to initiate the ride. This would ensure that both the rider and driver are matched before the service is initiated and would provide an additional level of security/assurance for all parties.

Further, as indicated in Finding and Conclusion No. 2, Lyft does not have a random real-time identification check feature to verify driver identity. Although Lyft's "enhanced identity verification" process uses face verification algorithms and fraud detection technology to verify driver authenticity, it is not a *random* check and is only applicable to potentially fraudulent drivers. The auditors contend that the "enhanced identity verification" process should be truly random and applicable to all drivers, regardless of other issues such as potential fraud or complaints. Creating an effective deterrent helps to reduce fraud by making the barrier much higher to commit such fraud and increase the perception that violators will be caught. Certainly, Lyft has taken numerous actions to address this concern; however, leveraging its app and these types of new features can improve the company's effectiveness. In addition, the company's recent improvements in safety/security are notable but additional efforts are needed to further reduce or mitigate risks.

7. Lyft did not provide driver and rider deactivations for its most serious cases.

Prior to June 2018, Lyft did not categorize driver or rider deactivations by cause. During field work, the company provided limited data on deactivations but contended that it maintained extensive data within this area. Unfortunately, audit staff was not able to access or assess this information. Audit staff was able to verify that since June 2018, the company has tracked the number of driver deactivations under six causal categories within Pennsylvania.

The Trust & Safety driver deactivation subcategories include but are not limited to deactivations based either on a driver's consistently low rating and/or safety violations, as well as alleged behavior and unsafe driving issues. Some of these Trust & Safety deactivations could include more serious causes such as motor vehicle fatality, fatal physical assault, sexual assault, non-consensual conduct, etc. Lyft would not provide these Trust and Safety deactivation subcategories for Pennsylvania.

Although the company contends that the most serious safety incidents are limited in number, the company could not substantiate this claim to the audit staff. Without more granular data, the audit staff was unable to further assess whether the company has sufficient controls and if its performance was satisfactory in this area. While Lyft will not be able to prevent all situations, it does have the obligation to identify common problems experienced by its users and implement tangible improvements.

Furthermore, the auditors recognize that the complexity of the situations faced by Lyft employees may make classifying incidents difficult, but we argue that tracking such data is the first step to improving deactivations and complaints. Most companies, including Lyft, have the technological prowess to complete such a task and should do so by each regulatory jurisdiction. Although the audit staff recognizes that Pennsylvania does not currently require Lyft to track or report such statistics, the company would still benefit from taking such action.

Recommendations

- 1. Document detailed operating policies and procedures.**
- 2. Strengthen the background check process and the continuous criminal monitoring function.**
- 3. Develop a partnership with transportation industry participants to build a database to readily identify/flag users that have been terminated/deactivated due to serious safety issues.**
- 4. Create and track performance metrics and establish goals for each.**
- 5. Leverage technology to reduce the level of insufficient information in the complaint investigation process.**
- 6. Implement, redesign, and /or improve safety related features of the mobile app.**
- 7. Track the cause of all driver and rider deactivations and maintain a database of such deactivations.**

IV. Conclusion and Acknowledgments

The scope of this engagement was limited to the assessment of the driver background check process and related safety aspects of Lyft's operations and was not designed to review all business functions. All deficiencies identified, regardless of their relation to safety, are presented above and were developed based upon the information provided by Lyft and publicly available sources during fieldwork. The findings and recommendations represent the auditors' opinion based upon the information collected and may not account for future changes to TNC regulation, technology, operation, competition, etc. It should be noted that the company has many options to implement the recommendations. As a result, the auditors did not estimate implementation costs for the recommendations. In certain situations, the cost of implementation could be significant.

We wish to express our appreciation to the officers and staff of Lyft for their cooperation and assistance. The audit was conducted by Porus Irani, Barry Keener, and Michael Savage of the PUC Bureau of Audits.